

VENDOR PROFILE

BT: Corporate Social Responsibility and Green IT

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IDC OPINION

BT is the clear environmental management leader in the European telecoms industry, pushing the boundaries in almost every area of policy and performance. It has already reduced its CO2 emissions by over 60% in the last 10 years and plans to have achieved an 80% reduction by 2016. Around 80% of its staff are flexible workers, utilizing BT's own services to reduce the need to commute, travel between sites, and replace other business journeys. It has achieved ISO 14001 certification for its entire U.K. operations, set up a waste management forum to manage waste reduction companywide, and has produced a wide range of collateral under its "Better World" CSR banner. It has also recently recruited a head of climate change to coordinate efforts to reduce its CO2 emissions. There are many more examples of innovative thinking and leadership, and while not the market leader in every area, it is the comprehensiveness of BT's approach and the enthusiasm with which it is communicated that is particularly impressive.

However, the most crucial element of BT's approach, unique in the European telecoms industry, is the detailed way in which it makes a direct connection between all of these measures and their contribution to the profitability of the company. BT estimates that in FY06, the use of teleconferencing services alone saved it £45 million in unnecessary travel expenses. And overall, the company estimates that its environmental measures have saved it £600 million over the last 10 years.

- This is the kind of quantitative reporting that is essential to secure "buy in" to the implementation of sometimes controversial measures from employees, customers, and shareholders alike, and which is lacking in the environmental reporting of virtually every other operator. Without it, investors and shareholders in particular may feel justified in asking why operators are investing so much time and energy in trying to prove their "green" credentials.
- BT shows every sign of continuing to lead the market with its environmental policy, and its peers have some way to go before they can match its efforts. Having said that, IDC believes that BT can do more in terms of being involved in the wider European political debate around CSR/green IT by showing what the ICT industry can do to be a good corporate citizen, *and* how to pass on its own green credentials to its customers, most notably via managed services.

IN THIS VENDOR PROFILE

In this profile, we look at BT's published CSR strategy and compare it with our CSR matrix of activities and stakeholders. With a particular focus on EMEA, we outline those areas in which we believe BT to be in advance of legislation and its competitors, as well as those which are unique or different.

SITUATION OVERVIEW

Company Overview

IDC defines corporate and social responsibility (CSR) as "the strategy an organization or business has to behave ethically and contribute to economic and ecological development. Associated activities are designed for the benefit of stakeholders, who typically fall into classes of customers, employees, the community, and/or the environment" (*EMEA Trends in Corporate and Social Responsibility*, IDC #CT01P). It has also developed a framework, identifying nine typical CSR activities and four typical stakeholders. In this study we look at BT's published CSR strategy, fitting it into our framework.

BT's approach to CSR operates under the umbrella slogan "Let's make a better world," and is extremely wide-ranging and thorough. Communication of its strategy is conducted via multiple Web sites, an annual sustainability report, five separate issue-based campaigns, a variety of sponsorships, and numerous white papers, presentations, thought pieces, articles, and other collateral. The strategy is also supported by a number of senior executives with responsibility for, or who contribute to, various aspects of BT's CSR strategy and performance. These include a head of climate change, a BT environment champion, an inclusive society champion, and a CSR leadership panel chaired by leading environmental campaigner Jonathon Porritt. Over the last few years, high-profile support for BT's CSR initiatives has also been consistently provided by recently-departed chairman Sir Christopher Bland and current BT chief executive Ben Verwaayen.

BT summarizes its approach as follows:

"Our ultimate goal is to use enhanced communications and technology to help create a better, more sustainable world. Our CSR strategy is to build on the strong foundations we have established for responsible business and to help meet the challenge of three pressing global issues: climate change, promoting a more inclusive society, and enabling sustainable economic growth."

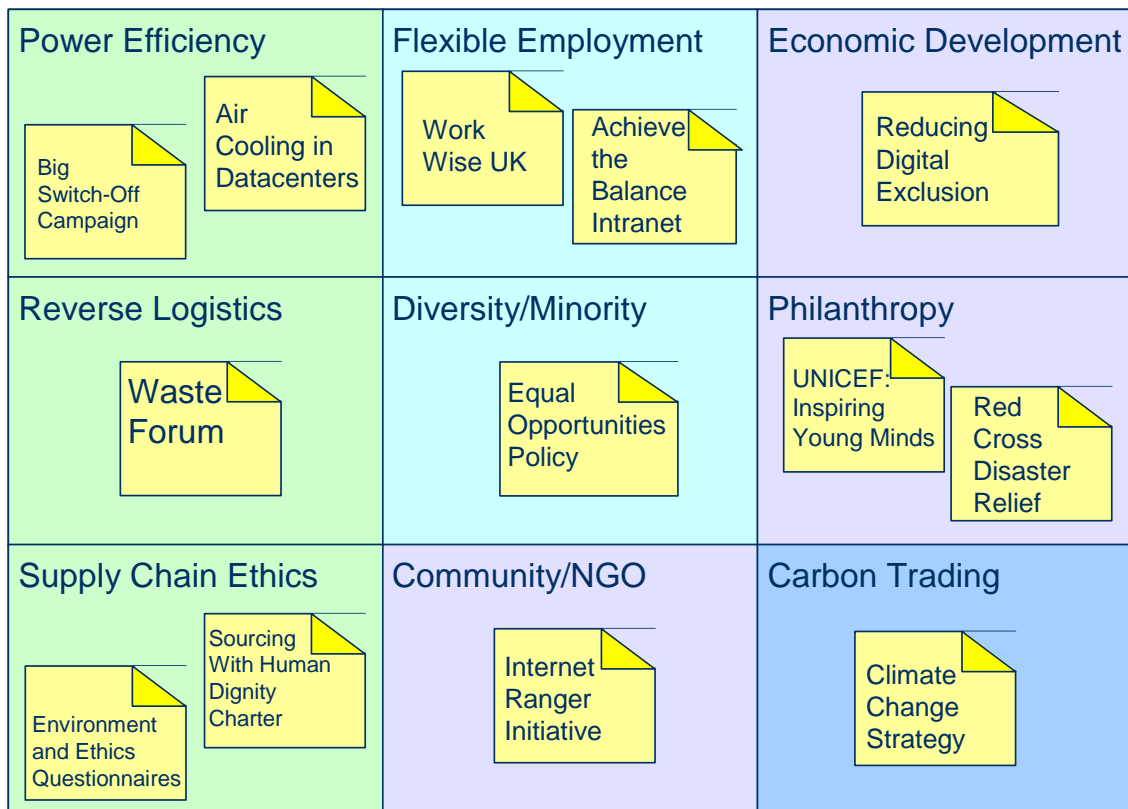
BT's leadership has been recognized by a wide variety of independent organizations and studies in 2006/2007, some of which are summarized below:

- The leading telecoms company on the Dow Jones Sustainability Index for seven years in a row.
- Presented with an award for the best contribution to corporate responsibility at the Annual Chartered Institute of Purchasing and Supply (CIPS) Supply Management Awards.

- ☑ Identified as the world's leading corporate organization for sustainability reporting, by topping the rankings of the biannual Global Reporters benchmarking survey of leading practice in sustainability reporting.
- ☑ Collected the top award in the community and environmental responsibility category of the annual Management Today Most Admired Companies Awards.
- ☑ Winner of the World Council for Corporate Governance's Golden Peacock Global Award for CSR 2007.
- ☑ Won the resource conservation category at the 2007 Sustainable City Awards, organized by the City of London Corporation.
- ☑ Named in the Climate Disclosure Leadership Index, produced by the Carbon Disclosure Project.

FIGURE 1

How BT's Activities Fit With IDC's Nine CSR Practices



Source: IDC, 2007

Company Strategy

Power Efficiency/Heat Dissipation

BT accounts for 0.7% of the U.K.'s entire electricity consumption, and is committed to ensuring that this doesn't increase significantly, despite the deployment of its new network infrastructure. The company is tackling this issue in a number of different ways.

One of the biggest contributors to BT's electricity consumption is its datacenters, and BT has made them a particular area of focus. In 2006, BT consolidated 3,000 servers through a mixture of virtualization, the move to blade servers, and alternative operating systems such as Linux. This resulted in electricity savings of 23GWh (gigawatt hours) and a reduction in CO2 emissions of 3,300 tonnes. It also decided to implement fresh-air-cooling in the 107 datacenters required for its 21st Century network, resulting in an 85% reduction in datacenter energy use.

As part of its audit of datacenters, BT found that most were running at a temperature of between 20C–24C. BT challenged the conventional wisdom that the optimum running temperature for IT and network equipment is around 22C. The company decided to use fresh-air-cooling for the 107 metro nodes (datacenters) required for its 21CN. Fresh-air-cooling takes a different approach to refrigeration of datacenter equipment by arguing that equipment can run at much higher temperatures than originally envisaged (up to 50C), and that the main cooling vehicle is fresh air, rather than air-conditioning units. The new metro nodes were designed with fresh-air-cooling in mind, achieving a reduction in energy use in its datacenters.

BT has a strict decommissioning policy for equipment and applications. It estimated that a couple of years ago 10% of its IT estate was running without use, and that in other areas utilization was extremely low, around 2%. Through its "continuous migration program" BT has been able to remove 1,500 racks of servers, aided by efforts around virtualization, the move to blade servers, and to operating systems such as Linux.

Another area of focus for BT is the relationship between power and resilience. It is estimated that around 30% of computing energy is used to create resilience as the power supply gets converted from AC to DC, is stored in batteries, and drives UPS. In the new datacenters, BT avoids AC/DC conversions, thus saving energy.

In addition to technology innovations, BT also focuses on the green impact of its datacenter employees. This means that issues such as a mobile workforce, reducing staff travel etc. are also taken into consideration.

BT's next-generation network will save energy in its own right by consuming a third less power than the one it replaces. But BT is also actively engaged in securing even bigger reductions. These activities include an ongoing campaign aimed at employees called "The Big Switch Off" that encourages them to turn off monitors, printers, computers, lights, and other electrical equipment when they are not in use, particularly overnight. BT estimates that this will save enough energy to power 40,000 homes over four years. It also encourages home-working and the use of teleconferencing and videoconferencing facilities to replace business travel wherever possible.

Other measures include printer consolidation in offices and ensuring that all new equipment uses less energy than that which it replaces. Related to this is the fact that BT is focusing on managing the large desktop/laptop estate of its 109,000 employees worldwide. This includes shutting down laptops that are not in use, as well as printer consolidation.

Reverse Logistics/Recycling

Recycling is one of the few areas of CSR where BT still has considerable scope for improvement. In FY07, 58% of BT's waste went to landfill, with the remaining 42%, or 40,007 tonnes, being recycled. That percentage was the same in 2006, although BT claims that it represents a better overall result as the total amount of waste produced was reduced by over 7,000 tonnes year on year. Waste is categorized as either environmentally benign (e.g., paper), potentially harmful if not disposed of correctly (e.g., cable), or inherently toxic (e.g., diesel oil). Waste policy and management is coordinated by a single "owner" across the company and managed via a waste forum whose objectives include:

- Consideration of new waste management ideas
- Setting and monitoring of waste targets
- Reviewing contractors' environmental performance
- Waste legislation compliance
- Packaging obligation management
- Promotion and communication of environmental initiatives and awareness

BT has also worked with Cisco Systems to establish equipment take-back schemes in a number of countries, and is focusing on increasing the refurbishment and reuse of equipment. BT claims that it has saved £11.65 million by reusing equipment from end-user premises and exchanges, and a further £46,000 by redistributing unused printer cartridges from offices where printer rationalization has rendered them unusable locally.

Carbon Trading

BT excels relative to its peers on a global scale when it comes to the reduction and management of its carbon footprint. It has already succeeded in reducing its emissions by 60% since 1996, despite the fact that the business has grown substantially in that time.

In 2007, BT appointed a head of climate change and launched an internal climate change program with the following objectives:

- Further reduction in CO2 production
- Reduce energy consumption of products and services
- Tighten environmental criteria applied to procurement
- Engage employees more actively in activities to reduce BT's environmental impact

In addition to reducing its own carbon footprint, BT also offers its Carbon Impact Assessment solution framework to help assess and measure the carbon footprint of an enterprise and to identify possible targets for reducing emissions. The framework enables scenario planning to model how energy and emissions reductions can be improved. Following the assessment — which will involve information gathering and usually a site visit — BT offers feedback and findings. A set of recommendations is then discussed, including suggestions about how BT's managed services can assist in reducing these emissions.

Supply Chain Ethics

CSR is deeply integrated into BT's procurement policy, with CSR requirements representing 25% of the overall scorecard. The policy has three key elements:

- ☒ **Labor standards and ethical trading**, including a standard for Sourcing with Human Dignity that specifies minimum standards for health and safety, child labor, working hours, wages, and other criteria.
- ☒ **Environment**, including a requirement that all new products and services purchased must use less energy than their predecessors, and that suppliers' internal environmental policies are aligned with BT's. This is ensured via completion of environmental and product stewardship questionnaires.
- ☒ **Supplier diversity**, to ensure innovation.

BT also conducts regular and ongoing assessments of suppliers deemed to be medium or high-risk in terms of their ability to comply with BT's CSR requirements.

Flexible Employment/Family Alignment

BT actively supports and promotes flexible working as one of the best ways of helping it achieve its environmental targets (for example, via home-working that eliminates business travel) and maximizing employee satisfaction and productivity. BT's policies in this area cover home-working, job-sharing, part-time working, and leave for new parents, carers, and other special circumstances. In the U.K., BT is a strategic partner of Work Wise UK, a five-year initiative designed to encourage the widespread adoption of more flexible working practices. In March 2007, BT had around 5,000 part-time workers, over 400 job-sharers, and approximately 10,000 employees that work from home.

BT also operates several initiatives promoting the achievement of a good work/life balance. NewStart provides a range of tools that employees can use to plan their careers around major life changes such as parenthood, caring for elderly relatives, etc. This is supported by an intranet site called "Achieving the Balance" to promote the uptake of flexible working opportunities.

Diversity/Employing Minorities

BT's Statement of Business Practice states that BT will "treat all individuals fairly and impartially, without prejudice, and never tolerate harassment in any form," and is supported by a comprehensive Equal Opportunities Policy. The operator is a member of a variety of equal opportunities organizations in the U.K., focusing on a range of minority interests related to sex, age, ethnicity, and disability. BT also operates an Equality and Diversity forum, chaired by the group strategy director, that aims to

ensure the reality of recruitment and day-to-day working lives of BT employees accurately reflects the principles of BT's policies in this area.

Recent initiatives include the introduction of more flexible working options to ensure that disabled applicants and employees have the opportunity to make a full contribution to the business. In the Business in the Community's 2006 racial equality benchmarking study, BT scored 92% against an industry average of 56% and an overall average of 68%, indicating that it is also a leader in this area. BT is also increasing the number of ethnic minority employees and workers over the age of 50.

Finally, BT has recently launched a £200,000 apprenticeship scheme to encourage more women to take up engineering as a career, with the aim of ensuring that 25% of this year's engineering intake are female.

Philanthropy/Charities

BT's main charitable commitments focus on children, education, and ICT. It has a three-year, £1.5 million global partnership with UNICEF called Inspiring Young Minds that helps disadvantaged children. The first phase is focused on South Africa, where the program is providing 250 computers, renovating schools, and building new classrooms and labs, and providing teacher training to help ensure that disadvantaged children are not left out of the ICT revolution and can develop new skills that will help them secure jobs and become economically independent in the future. The second and third phases will focus on Brazil and China. BT is also a supporter of one of the U.K.'s most prominent child protection charities, Childline.

In June 2007, BT also launched a three-year, £300,000 global disaster relief program in partnership with the British Red Cross. The money will be used to provide emergency satellite phones, IT equipment, and GPS systems for relief vehicles, as well as helping share technical skills and resources which dramatically improve the effectiveness of the Red Cross to respond to disaster situations.

Community/NGO Projects

In FY07, BT invested £21.8 million, or 1% of its U.K. pre-tax profit, in community projects. One of the most important areas of focus here is encouraging the U.K.'s aging population to become Internet users. BT's "Internet Ranger" initiative enlists the help of young people and teachers to introduce older people to the Internet and teach them how to use it. Since its inception in 2002, hundreds of events have been held around the country.

Economic Development

BT aims to reduce digital exclusion in the U.K. Even though over 99% of U.K. homes now have access to broadband, around 36% of U.K. citizens have not used the Internet in the past three months. BT has undertaken to reduce that number to 32.4% over the next three years. It also launched its "Crossing the Divide" initiative, publishing the experiences of four novice Internet users.

Other CSR Activities

BT reports on a number of areas in the terms of its full Sustainability Report. Many of these relate to the treatment of its own staff and the ethical culture that it tries to foster throughout the organization. In FY07, BT reported that it:

- ☒ Last year BT reduced lost time due to injury from 0.281 cases to 0.238 cases per 100,000 working hours
- ☒ Is voluntarily making additional payments of £280 million per year for 10 years into its pension fund to eliminate a deficit
- ☒ Has implemented an ISO 14001 compliant Environmental Management System for its U.K. operations, underpinned by ISO 9001 accreditation, and is in the process of extending this certification to its international operations
- ☒ Requires all employees to adhere to its "Way we Work" code of business ethics, and provides a 24-hour hotline open to any member of staff who suspects another of unethical behavior
- ☒ Has launched a free online toolkit for designers to develop products and services that are accessible to all, regardless of age, ability, or circumstance
- ☒ Recruited renowned sailor Ellen MacArthur as its global CSR ambassador to raise awareness of the role of enhanced communications and technology in contributing to reductions in carbon emissions and other CSR-related objectives
- ☒ Operates an intranet and assessment center to support employees suffering from stress and related problems

FUTURE OUTLOOK

BT is focused on consolidating and extending its industry and global lead in CSR performance well into the future through the continuation and expansion of all the measures described in this profile, and many more. The operator also expects greater buy-in from vendors, suppliers, employees, and customers as the importance of CSR issues, particularly those relating to the environment, continue to increase in importance. BT's key targets for FY08 and beyond include the following:

Power Efficiency/Heat Dissipation

By March 2009, BT intends to have completed its design for the energy efficient datacenter of the future and to have begun refitting its datacenters accordingly. In the meantime, it intends to introduce further energy saving measures in its datacenters that will reduce energy consumption by 5GWh by March 2008.

Reverse Logistics/Recycling

BT has targeted an 8% reduction in the volume of waste it sends to landfill in 2008, although it has excluded waste relating to the construction of its 21st century network, which it regards as exceptional to normal operations. The company also intends to deploy major recycling installations at up to 15 of its largest office complexes, and consider replacing open skips at up to 150 other sites with closed skip and/or recycling facilities.

Carbon Trading

BT has also recently renewed its renewable energy contract in the U.K., and announced plans, together with third parties, to develop wind farms which it hopes will produce 25% of its entire energy requirements by 2016. The project aims to generate a total of 250MW of electricity and reduce CO2 emissions by 500,000 tonnes per year when compared with the coal-powered alternative. The scheme aims to start generating 100MW of power in 2012. The wind power scheme is an important part of its overall U.K. objective of an 80% reduction in its 1996 carbon emissions by 2016.

BT intends to limit the speed of new road vehicles ordered in FY08 to 70mph, wherever this is permitted by the manufacturer, and consolidate its supply chain vehicle fleet. It will also train 50 engineers in fuel-efficient driving to assess the extent of savings in cost and emissions that could be enabled by rolling the policy out across the entire company. A trial of hybrid vehicles will also be launched during 2008.

Supply Chain Ethics

BT will hold a supplier event in FY08 to communicate the company's CSR objectives in relation to procurement and to increase supplier buy-in to the role of communications technology in tackling climate change. The company will also incorporate specific climate change procurement principles into its procurement processes, and continue to survey its suppliers on their CSR credentials, following up on those identified as medium or high risk to ensure adherence to BT's policies.

Flexible Employment/Family Alignment

In FY08 and beyond, BT will extend the flexible working options available to its U.K. staff to its global operations, wherever practical.

Diversity/Employing Minorities

BT intends to maintain its top 10 position against three of the four main U.K. diversity benchmarks, and continue to ensure that the organization remains as open as possible to applicants and employees regardless of race, gender, age, or disability. It also plans to expand its diversity metrics to include sexuality and religious faith.

Philanthropy/Charities

Through a variety of fundraising efforts, BT intends to raise at least £2 million for its chosen charities by the end of FY08. It is also aiming to increase the proportion of employees enrolled in the payroll giving scheme by 10% over the same time period.

Community/NGO Projects

Over the next three years, BT intends to reduce the number of people classified as "digitally excluded" by 10%.

ESSENTIAL GUIDANCE

Advice for BT

BT should strive to maintain its CSR leadership, not just in terms of what it does, but also with regard to how it communicates its achievements. It's vitally important to quantify its successes in order to ensure stakeholder buy-in, not just in terms of societal benefits, but also in terms of its own financial performance, particularly because so few other companies are prepared to do so. In practical terms, BT should focus on recycling as a key area for improvement. But it also need to focus public attention on the climate-change-related benefits of communications technology. This is a message that is not yet embedded in the minds of consumers and businesses, but one which is potentially very powerful both in terms of changing attitudes and producing measurable results.

BT can play a significant role in the political debate around CSR and green IT, and in passing on its own green credentials to its customers via services, including network-based IT services.

Advice for BT's Customers

Customers who prioritize CSR criteria in their purchasing decisions can be confident that when it comes to communications technology and services, they are unlikely to be able to make a choice more consistent with good CSR principles than BT. Second-tier providers such as cable companies tend to be less advanced in their thinking on CSR issues, and even further behind when it comes to the reporting of their performance. This will be particularly significant for large companies and public organizations that need to ensure that their regulatory compliance strategies are not compromised by their choice of supplier.

LEARN MORE

Related Research

☒ *EMEA Trends in Corporate and Social Responsibility* (IDC #CT01P, July 2007)

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